



Ninety-Ninth Legislature - First Session - 2005
Committee Statement
LB 364

Hearing Date: February 22, 2005

Committee On: Nebraska Retirement Systems

Introducer(s): (Nebraska Retirement Systems Committee)

Title: Change provisions relating to retirement for employees of Class V schools

Roll Call Vote – Final Committee Action:

Advanced to General File

X Advanced to General File with Amendments

Indefinitely Postponed

Vote Results:

6	Yes	Senators Bourne, Erdman, Pederson, Price, Stuhr, Synowiecki
0	No	
0	Present, not voting	
0	Absent	

Proponents:

Jason W. Hayes

Michael W. Smith

Representing:

Introducer

Omaha School Employees' Retirement System

Opponents:

None

Representing:

Neutral:

None

Representing:

Summary of purpose and/or changes:

Legislative Bill 364 is a comprehensive technical bill that would make changes to the Class V School Employees Retirement Act, found in Neb. Rev. Stat. §§ 79-978 through 79-9,116. These changes would extend only to those school employees covered within the Class V School Employees Retirement Act, which includes Omaha Public Schools' employees.

The bill proposes the following changes:

- 1000 Hours would Define a Year of Service. Would require the completion of one thousand hours of service to receive credit for a full year of membership service. Currently, membership service has not been defined and has varied depending on the
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member's contract. This change defines a year of service as a fiscal period in which the member completes 1000 hours.

- Fractional Years Measured in Tenths. Currently, fractional years of service have been measured in half-years. This change would measure fractional portions of a year in tenths with one tenth earned for each 100 hours.
- Compensation to Include Qualified Transportation Fringes. This is a technical change that would add to the definition of compensation amounts not currently included in reported income by reason of a qualified transportation fringe. Currently, this feature of the IRS Code is not utilized by the Omaha Public Schools.
- Purchased Prior Years Of Service. This change replaces the existing procedures for the purchase of prior service credits. As a result the years of purchased service from other school districts may not exceed the member's service in the Omaha Public Schools. Any service from another school district, which has been reflected in the calculation of the retirement benefit the employee is receiving or is eligible to receive, may not be purchased. Once the credit has been purchased, it is applied to increase the member's retirement benefit from the Class V Retirement System.
- Changes in Eligibility of Designated Beneficiary. This proposal introduces a technical change that will increase the acceptable age difference of a designated beneficiary and a member who selects the joint and survivor retirement option. Members who select a joint and survivor form of payment will continue to receive a smaller actuarially equivalent monthly benefit.

Section by Section Summary of Bill:

- Section 1. Would require the completion of one thousand hours of service to receive credit for a full year of membership service. Also, would include in the definition section that creditable service is measured in one-tenth year increments, and would make changes in order to conform state law to recent changes in the Internal Revenue Code.
- Section 2. Would provide that creditable service shall be measured in one-tenth year increments, similar to the definition change contained in section 1.
- Section 3. Would restrict the purchase of prior service credit for service performed in other school districts, to a number of years (not to exceed ten) that does not exceed the member's years of membership service with the Omaha Public Schools.
- Section 4. Would provide that creditable service may only be purchased in one-tenth year increments.

- Section 5. Would prohibit the purchase of any prior service that is credited to the member in the calculation of a retirement or disability benefit under another defined benefit retirement system.
- Section 6. Original sections are repealed.
- Section 7. Contains an emergency clause.

Explanation of amendments, if any:

The committee amendment AM 1210 would amend LB 364 by adding language found in the following retirement related bills (with amendment, if any) as each bill was passed out of committee by the Nebraska Retirement Systems Committee:

- **LB 365** (*Cmmt*) Change membership on the Public Employees Retirement Board.
- **LB 367** (*Cmmt*) Authorize and change provisions relating to retirement late payment fees. (As amended by AM 0612).
- **LB 691** (*Stuhr*) Change provisions relating to Cash Balance and DC benefits. (As amended by AM 1032).

In addition, committee amendment AM 1210 makes additional technical corrections to the definition of compensation found in Neb. Rev. Stat. § 79-902, within the School Employees Retirement Act. The amendment would also insert language to clarify when a school district is required to make a specific compensation report to the Nebraska Public Employees Retirement System ('NPERS'). This provision would make technical corrections to sections currently adopted within LB 503, 99th Neb. Leg., 1st Session.

Section by Section Summary of Committee Amendment, AM 1210:

- Section 1. Would permit Public Employees Retirement Board ('PERB') to charge counties a late fee in an amount equal to any costs incurred by an employee member within the County Employees Retirement System. This late fee would be assessed unless such amount is smaller than the existing late fee of 0.038% of the amount required to be submitted for each day such amount has not been received. **(LB 367)**
- Section 2. Makes a technical correction changing the word 'section' to 'subsection' in order to indicate that forfeiture funds will not be used to pay for accounting or record-keeping services related to the cash balance benefit of the County Employees Retirement System. **(LB 691)**
- Section 3. Eliminates a reference to the Nebraska Employees Retirement Expense Fund. **(LB 691)**

- Section 4. Removes outdated language referring to investment options available prior to July 16, 2004. Also makes a technical correction inserting the word ‘county’ in place of the word ‘state’ when referring to participating employees in the County Employees Retirement System. **(LB 691)**
- Section 5. Creates the County Employer Retirement Expense Fund that will consist of any reduction in the county contribution that would otherwise be required to fund future service retirement benefits or to restore employer accounts or employer cash balance accounts. Such funds will be maintained separate from any funds held in trust for the benefit of members. **(LB 691)**
- Section 6. Eliminates a reference to the Nebraska Employees Retirement Expense Fund. **(LB 691)**
- Section 7. Would permit PERB to charge a late administrative processing fee upon both district and county courts not to exceed \$25 if information and money are delinquent or are not timely received. Also, would permit the Board to charge district and county courts a late fee of 0.038% of the amount required to be submitted for each day such amount has not been received. **(LB 367)**
- Section 8. Would require school districts to make a verification of the percentage amount of compensation contained within a collective bargaining agreement, if such amount is greater than the seven percent limit for the purposes of retirement. Also would clarify that the compensation base is the lesser of seven percent or the actual annual compensation received by a plan member. **(LB 364)**
- Section 9. Would clarify that if a member’s compensation has exceeded the compensation base by seven percent then the school employer shall provide such information to the director of NPERS within ninety days of the end of the plan year. **(LB 364)**
- Section 10. Eliminates a reference to the Nebraska Employees Retirement Expense Fund. **(LB 691)**
- Section 11. Would require the completion of one thousand hours of service to receive credit for a full year of membership service. Also, would include in the definition section that creditable service is measured in one-tenth year increments, and would make changes in order to conform state law to recent changes in the Internal Revenue Code. **(LB 364)**
- Section 12. Would provide that creditable service shall be measured in one-tenth year increments, similar to the definition change contained in section 11. **(LB 364)**
- Section 13. Would restrict the purchase of prior service credit for service performed in other school districts to a number of years (not to exceed ten) that does not exceed the member’s years of membership service with the Omaha Public Schools. **(LB 364)**

- Section 14. Would provide that creditable service may only be purchased in one-tenth year increments. **(LB 364)**
- Section 15. Would prohibit the purchase of any prior service that is credited to the member in the calculation of a retirement or disability benefit under another defined benefit retirement system. **(LB 364)**
- Section 16. Eliminates a reference to the Nebraska Employees Retirement Expense Fund. **(LB 691)**
- Section 17. Makes a technical correction changing the word ‘section’ to ‘subsection’ in order to indicate that forfeiture funds will not be used to pay for accounting or record-keeping services related to the cash balance benefit of the State Employees Retirement System. **(LB 691)**
- Section 18. Eliminates a reference to the Nebraska Employees Retirement Expense Fund. **(LB 691)**
- Section 19. Creates the State Employer Retirement Expense Fund that will consist of any reduction in the state contribution that would otherwise be required to fund future service retirement benefits or to restore employer accounts or employer cash balance accounts. Such funds will be maintained separate from any funds held in trust for the benefit of members. **(LB 691)**
- Section 20. Would provide that the six members who are participants in the retirement system administered by PERB shall be either active or retired participants. **(LB 365)**
- Section 21. Makes a technical correction in reference to the repealing of Neb. Rev. Stat. § 84-1514, in section 27. **(LB 691)**
- Section 22. Requires that the County Employer Retirement Expense Fund and the State Employer Retirement Expense Fund shall be used to meet the expenses of the County Employees Retirement System and the State Employees Retirement System, respectively. Each fund will be used when it is reasonably necessary to cover expenses in either the Cash Balance Benefit or the Defined Contribution Benefit of both the State and County retirement plans. **(LB 691)**
- Section 23. Sections 1 to 7, 10, 16 to 22, 24, and 27 become operative three months after adjournment of the legislative session. Sections 8, 9, and 25 become operative on July 1, 2005. The other sections become operative on their effective date.
- Section 24. Original sections are repealed.
- Section 25. Original sections are repealed.
- Section 26. Original sections are repealed.

- Section 27. Section 84-1514, containing the Nebraska Employees Retirement Expense Fund, is repealed. **(LB 691)**
- Section 28. Contains an emergency clause.

Summary of the Retirement Bills Consolidated within LB 364:

- LB 365** (*Cmmt*) Would permit members of the Public Employees Retirement Board, who represent the five public retirement systems administered by the Board, to be either an active employee member or a retired member. Currently, some member positions are limited to only permitting active employee participants to serve on the Board. This proposal would maintain the current number of members on the Board.
- LB 367** (*Cmmt*) As amended by AM 0612. Would permit the Public Employees Retirement Board to charge counties a late fee in an amount equal to any costs incurred by an employee member within the County Employees Retirement System. Such costs would be as a result of a late receipt of retirement contributions transferred by a county employer to the Board. Also, would permit the Board to charge a late administrative processing fee upon both district and county courts not to exceed twenty-five dollars (\$25) if information and money required by Neb. Rev. Stat. § 24-703(3) are delinquent or are not timely received by the Board.
- LB 691** (*Stuhr*) As amended by AM 1032. The amendment eliminates the transaction fees originally proposed in LB 691. The amendment would create the County Employer Retirement Expense Fund and the State Employer Retirement Expense Fund. Each fund will consist of monies resulting from any reduction in the county and state employer contribution amount that would otherwise be required to fund future service retirement benefits or to restore employer accounts or employer cash balance accounts. These funds would be used to meet the expenses of the County Employees Retirement System and the State Employees Retirement System, and would be utilized when it is reasonably necessary to cover expenses in either the cash balance benefit or the defined contribution benefit of both the State and County retirement plans.

Senator Elaine Stuhr, Chairperson